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ABSTRACT

Presented in this summary document are 17 charts and statements concerning youth unemployment. Topics covered include: (1) the ratio of teenage to adult unemployment rates, (2) the population explosion, (3) effects of staying in school, (4) state minimum wage patterns, and (5) the effects of a differential on family income. A recommended course of action is a special minimum wage rate for youth. (JS)

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YOUTH Unemployment

Time to Do Something About It

VT013407

U. S. DEPARTMENT OF LABOR
J. D. Hodgson, Secretary

YOUTH unemployment

For four decades the nation has watched with growing concern as the level of unemployment among its job-seeking teenagers grew steadily worse. The Federal Government, through manpower programs such as the Neighborhood Youth Corps, has taken steps to help youths obtain jobs. But the problem clearly needs to be attacked in more fundamental ways. This pamphlet summarizes some of the facts about youth unemployment and suggests a course of action--a special minimum wage rate for youth.

There are many disadvantages and risks associated with hiring young people. Some employers hesitate to hire teenagers because they have unformed work habits, change jobs frequently, require special scheduling for part-time work, are inexperienced, or lack career-plans. Lower rates of pay for such younger workers would offset some of these disadvantages and would help to increase job opportunities for the greatly expanded number of teenagers who are seeking work.

A statutory differential between the minimum wage for young workers and adults would also eliminate the red tape now involved in obtaining certificates for employment of younger workers at subminimum rates.

A lower minimum wage rate enhances youth employment opportunities. These pay rates would be a step toward easing the transition from school to work and would preserve jobs that are otherwise likely to disappear--jobs where machines might replace workers or part-time jobs that are useful to employers but may simply not be worth the adult minimum wage.

I. UNEMPLOYMENT OF YOUTHS AND ADULTS

Although young workers have always had higher unemployment rates than adults, their unemployment experience has grown progressively worse in the last 20 years.

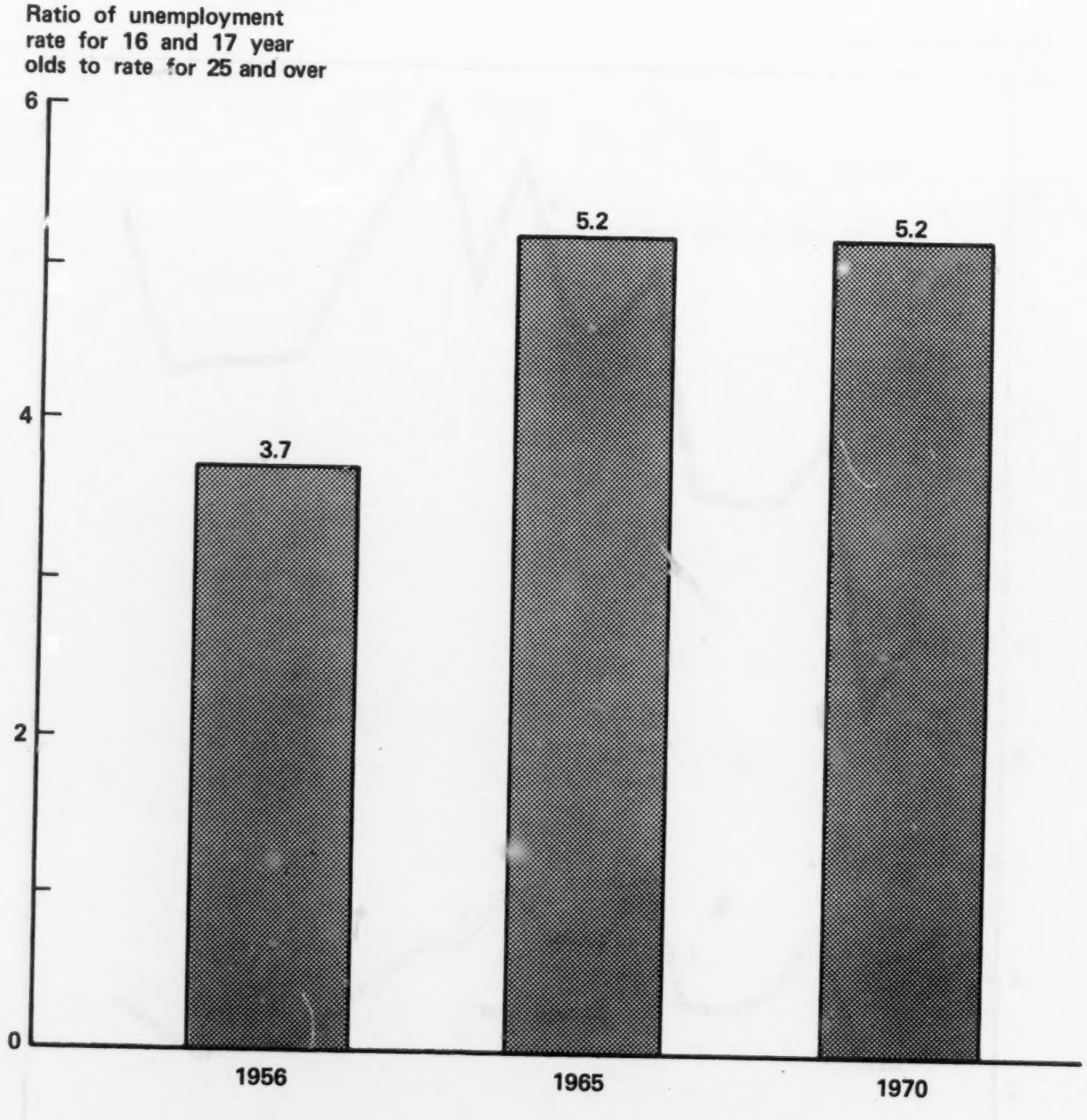
Chart I shows the ratio of the unemployment rate of 16-17 year olds to the adult rate in 1970 and compares it with two earlier years when the adult unemployment rate was at the same level as in 1970. The unemployment rate for 18-19 year olds is also much higher than the adult rate but not as severe as that for 16-17 year olds.

Chart II plots the unemployment rates of teenagers and adults over the past two decades.

Chart I

*The Ratio of Teenage to Adult Unemployment Rates Has Increased in Recent Years**

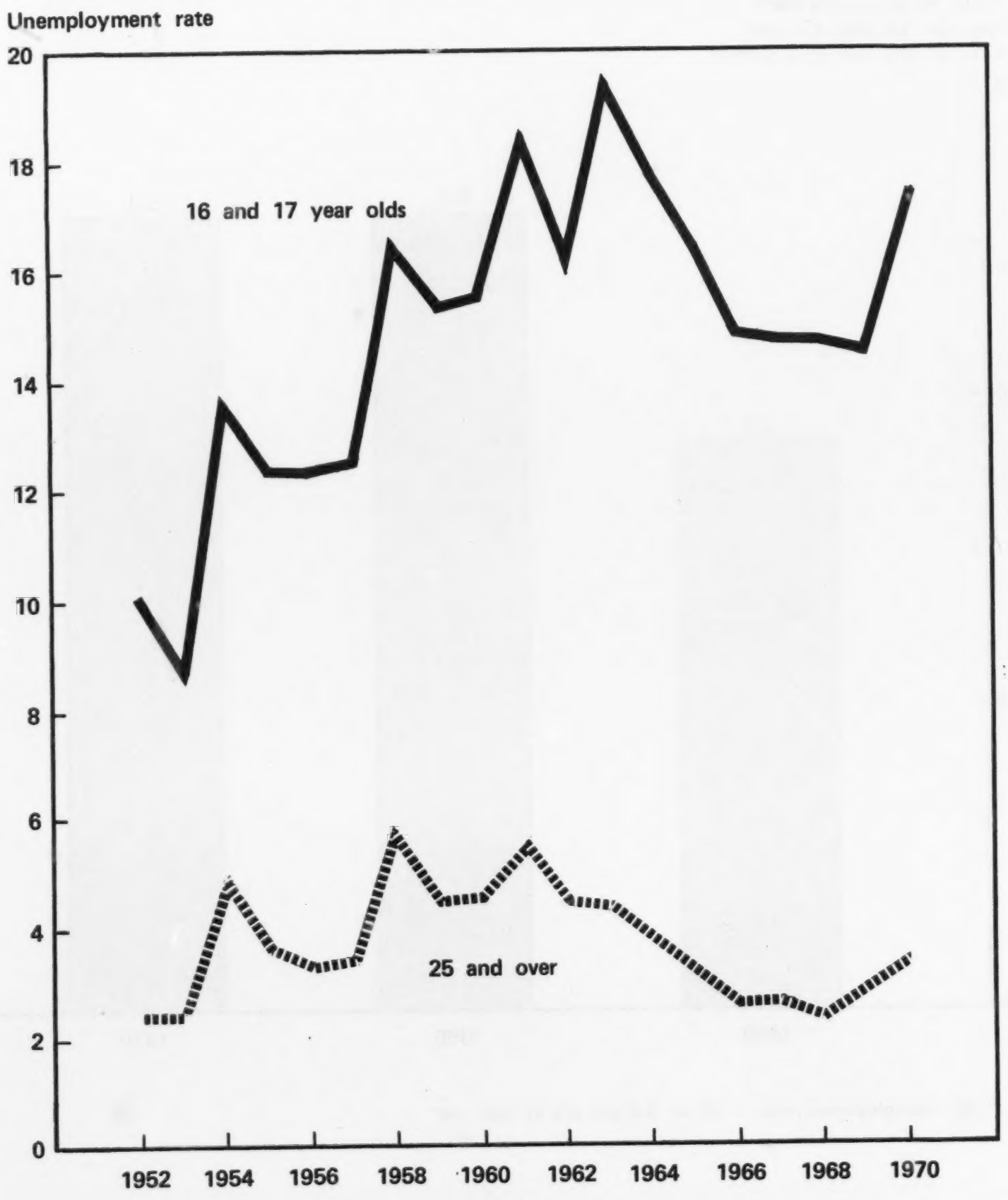
THE UNEMPLOYMENT RATE FOR THESE YOUNG PEOPLE IS MORE THAN FIVE TIMES THE ADULT RATE



*25+ unemployment rates — 3.2 or 3.3 percent in each year

Chart II

The Unemployment Rate Among Young People is Always High. In Recent Years It Has Grown Higher Compared to the Adult Rate. The Gap Has Widened.

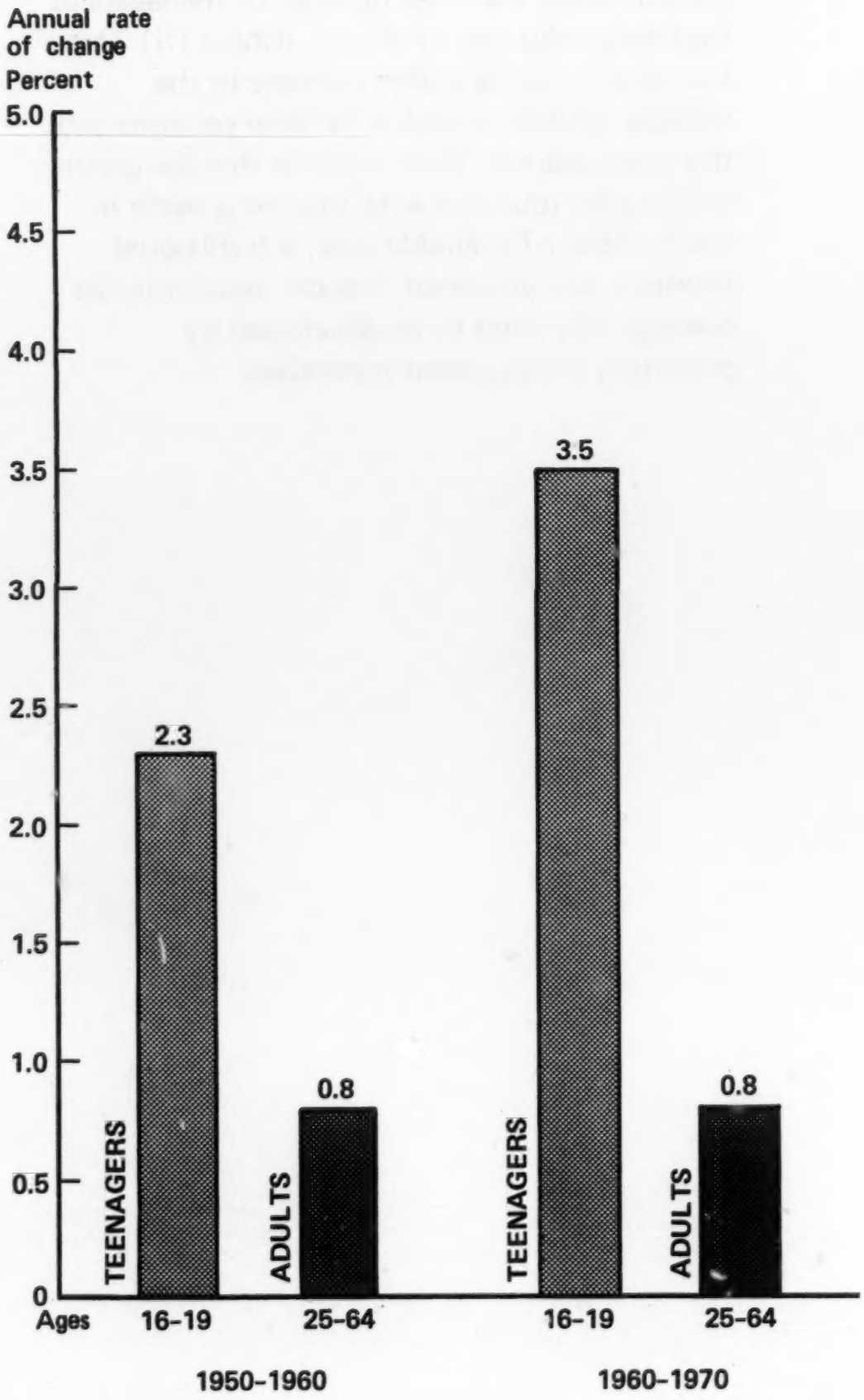


II. THE POPULATION EXPLOSION

In the last 20 years the population explosion has increased the total number of teenagers at four times the rate of adults. (Chart III) There has been no comparable increase in the number of jobs available for new entrants into the labor market. With more in this age group looking for jobs and with limited growth in the number of available jobs, a traditional problem has worsened. Hence, more suitable teenage jobs need to be developed by providing employment incentives.

Chart III

Teenage Population (16-19) Has Increased Much Faster Than the Adult Population (25-64)- - -



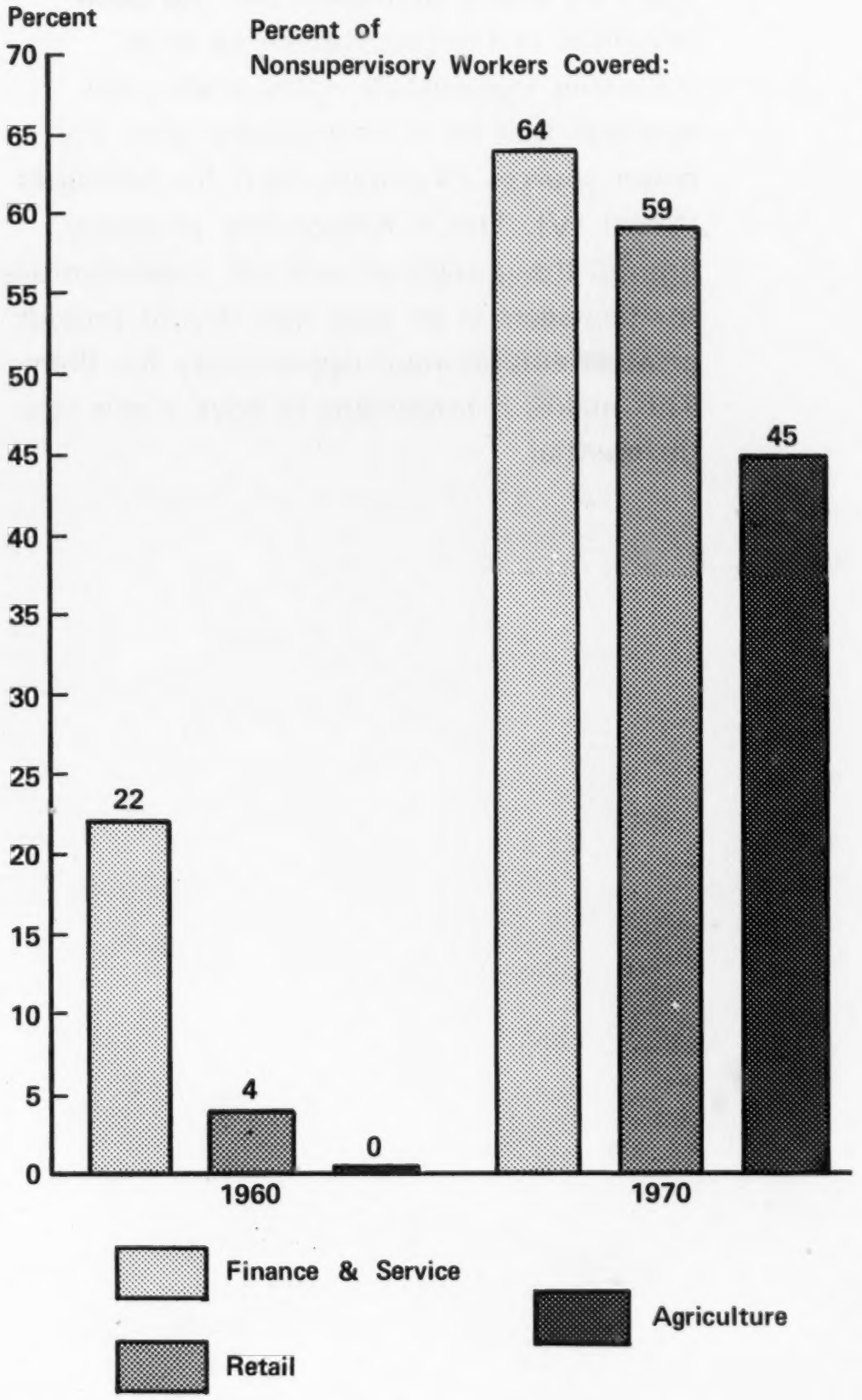
III. MOST TEENAGERS WORK IN INDUSTRIES <u>ONLY</u> <u>RECENTLY</u> <u>COVERED</u> BY THE FAIR LABOR STANDARDS ACT

The Fair Labor Standards Act has been extended in the past decade to three industries (agriculture, retail trade, and services) that have traditionally been the major sources of employment for teenagers (Chart IV). This extension has probably limited the growth of new job opportunities for teenagers in an area that should provide greatest employment opportunity for them. This makes it important to have a pay rate differential.

Chart IV

Change in Coverage of Jobs Affected by the Minimum Wage

TWO OUT OF THREE TEENAGE JOBS ARE IN INDUSTRIES WHERE COVERAGE WAS GREATLY EXTENDED BY THE 1961 AND 1966 AMENDMENTS



IV. EFFECTS OF STAYING IN SCHOOL

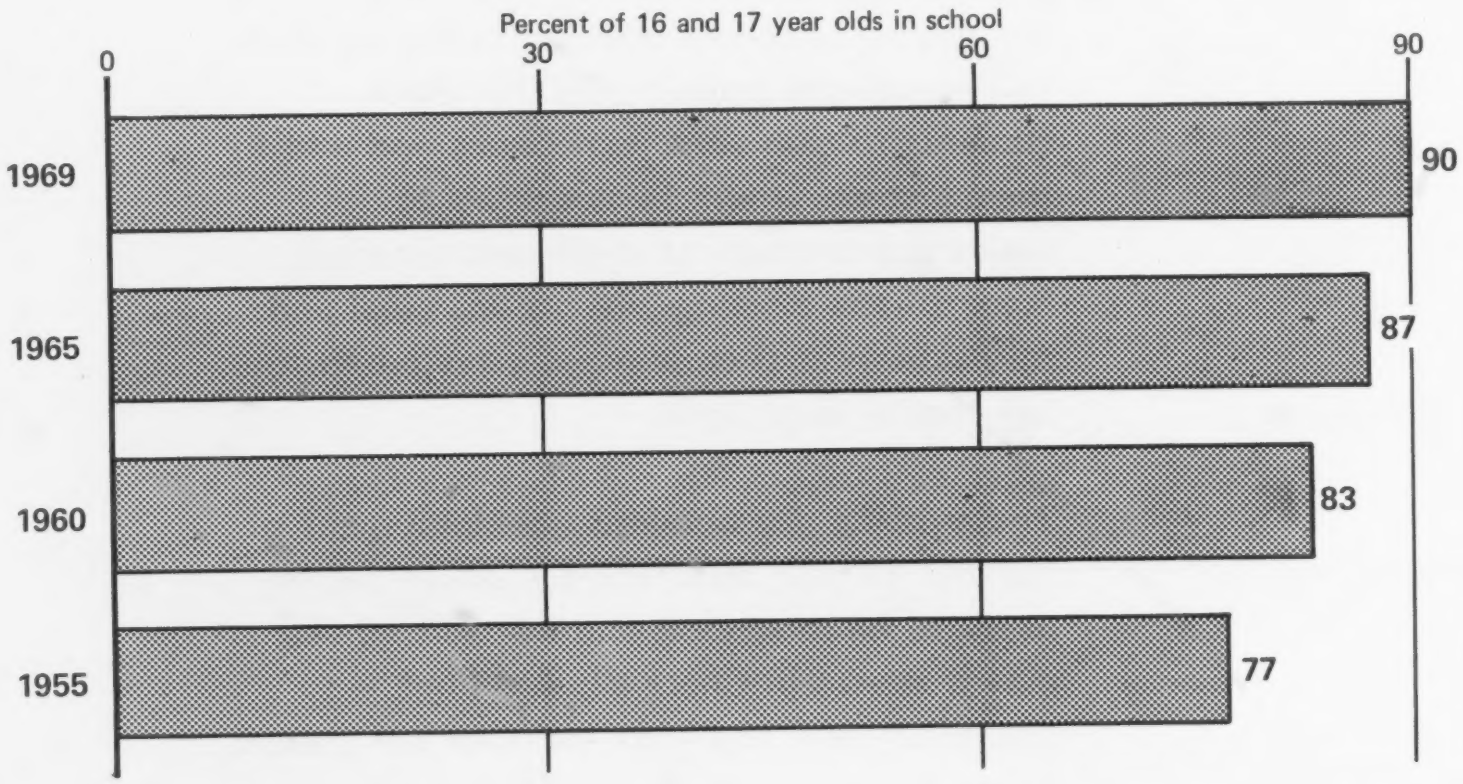
A growing proportion of teenagers (Chart V) are staying in school while working. In order to improve the opportunity for these students to gain work experience and add to their income, it will be necessary to encourage creation of more part-time jobs. Many of the existing jobs are marginal and may disappear if employers are required to pay higher wage rates.

The growing gap between unemployment of 16- and 17-year olds (the age group most likely to be in school) and 18- and 19-year olds is shown in Chart VI. Although unemployment was high for both age groups, it was especially severe for 16 and 17 year olds.

Chart V

Most 16 and 17 Year Olds Who Work Attend School

9 OUT OF 10 16 AND 17 YEAR OLDS ARE IN SCHOOL



MOST 16 AND 17 YEAR OLDS WHO ARE WORKING ARE STUDENTS

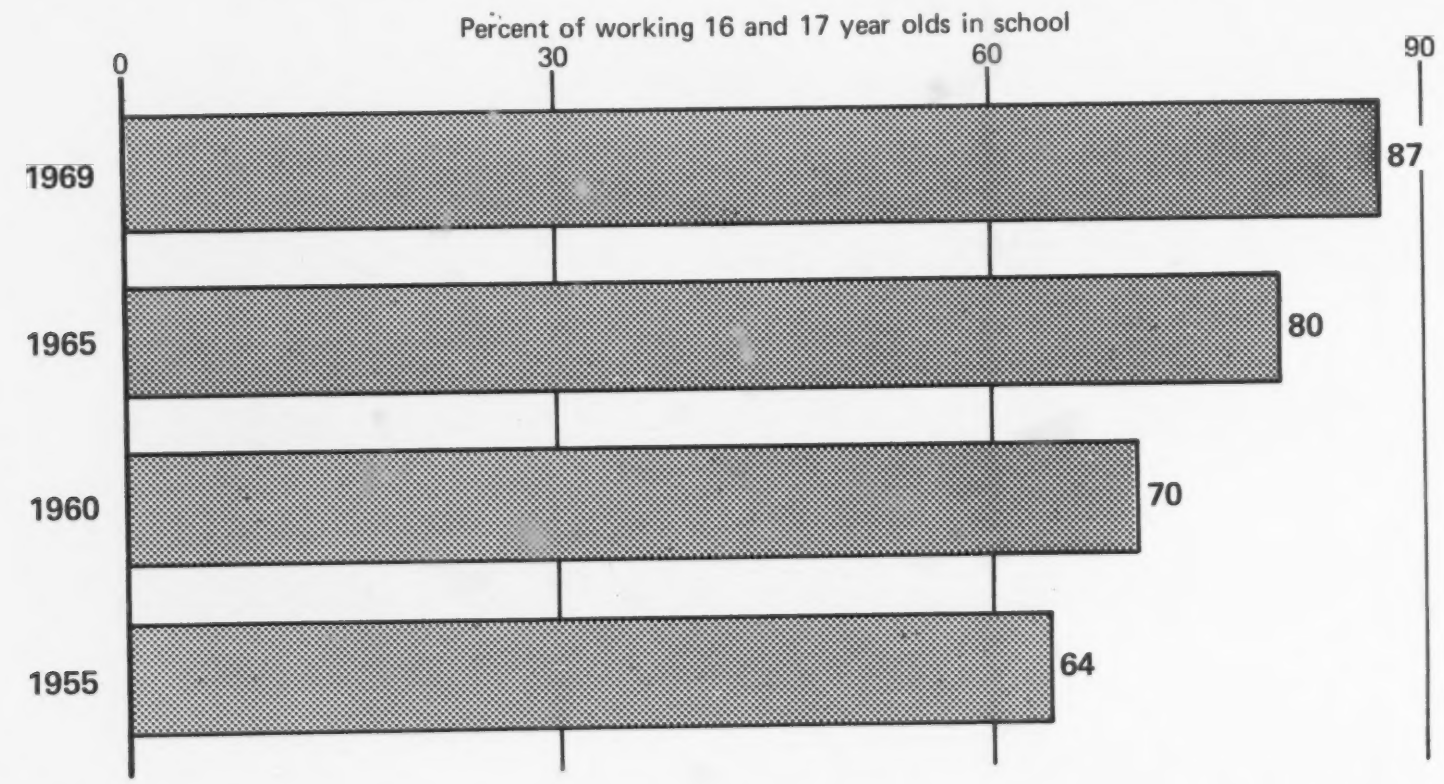
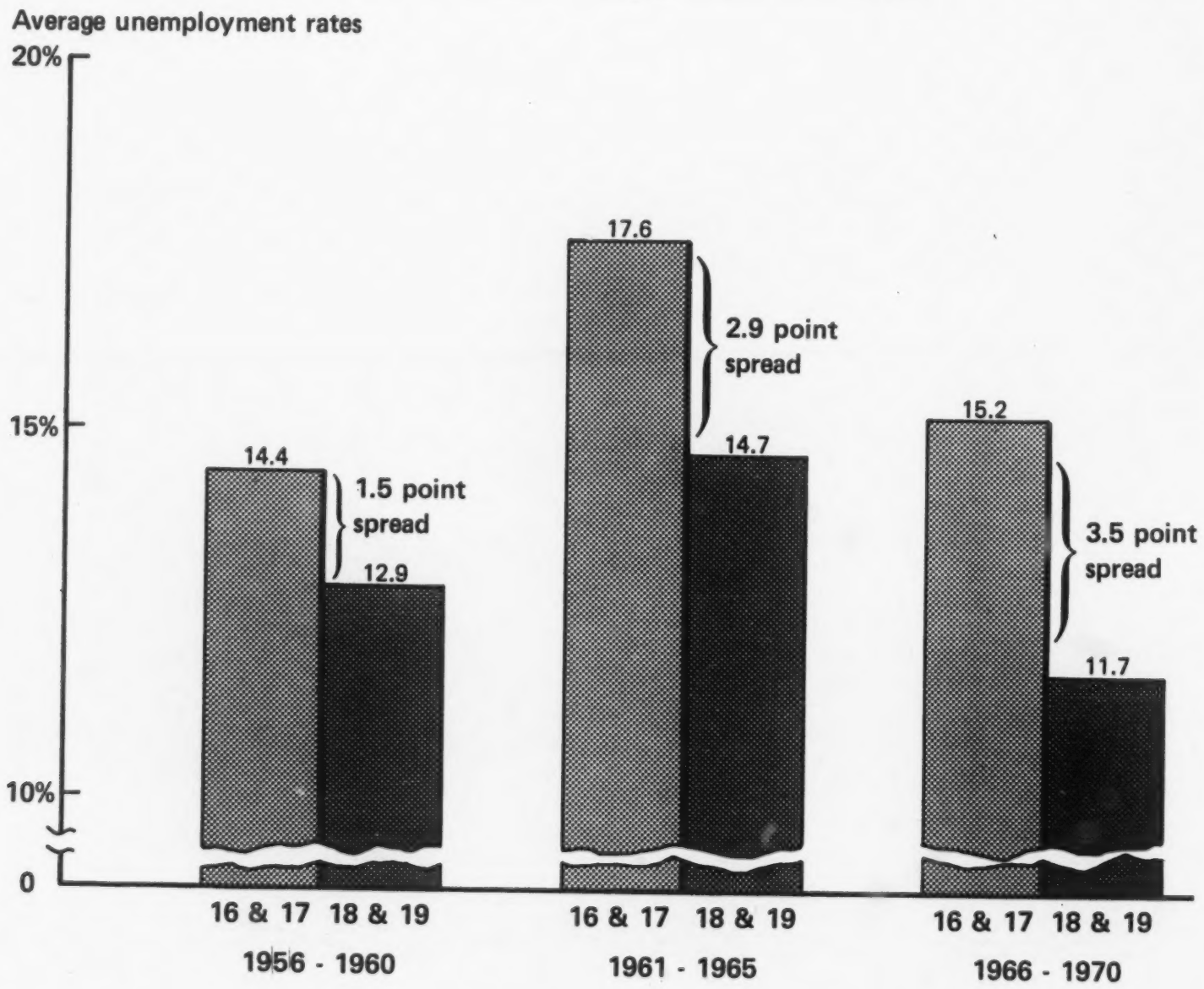


Chart VI

The Gap in Average Unemployment Rates has Widened Between Younger (16 and 17) and Older (18 and 19) Teenagers

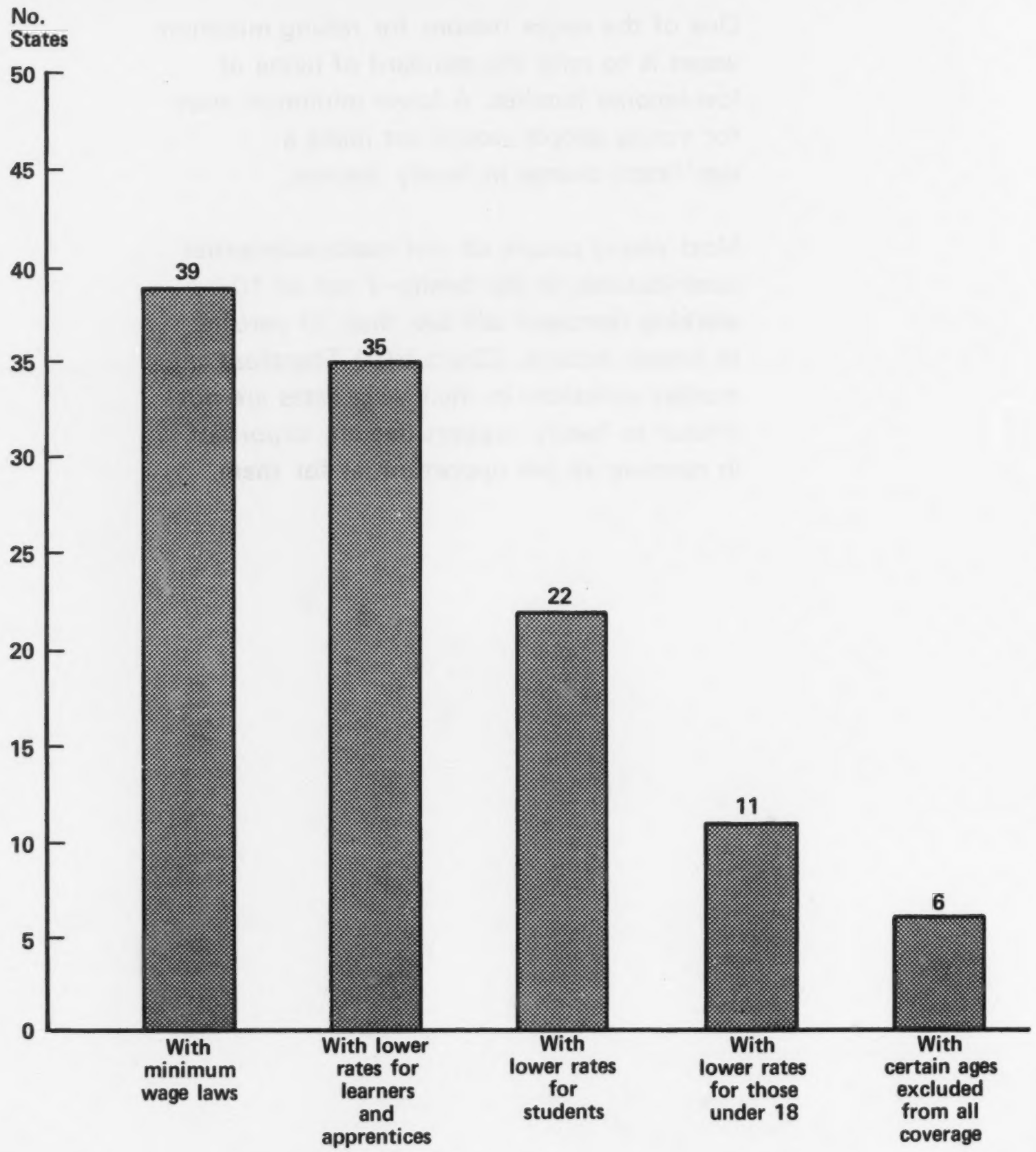


V. STATE MINIMUM WAGE PATTERNS

In employment not covered by federal legislation a lower minimum wage for teenagers, learners or students is the pattern in most States. (Chart VII)

Chart VII

Many States Set Lower Minimum Wage Rates for Teenagers, Students, or Learners



Note: Includes D. C. and Puerto Rico.

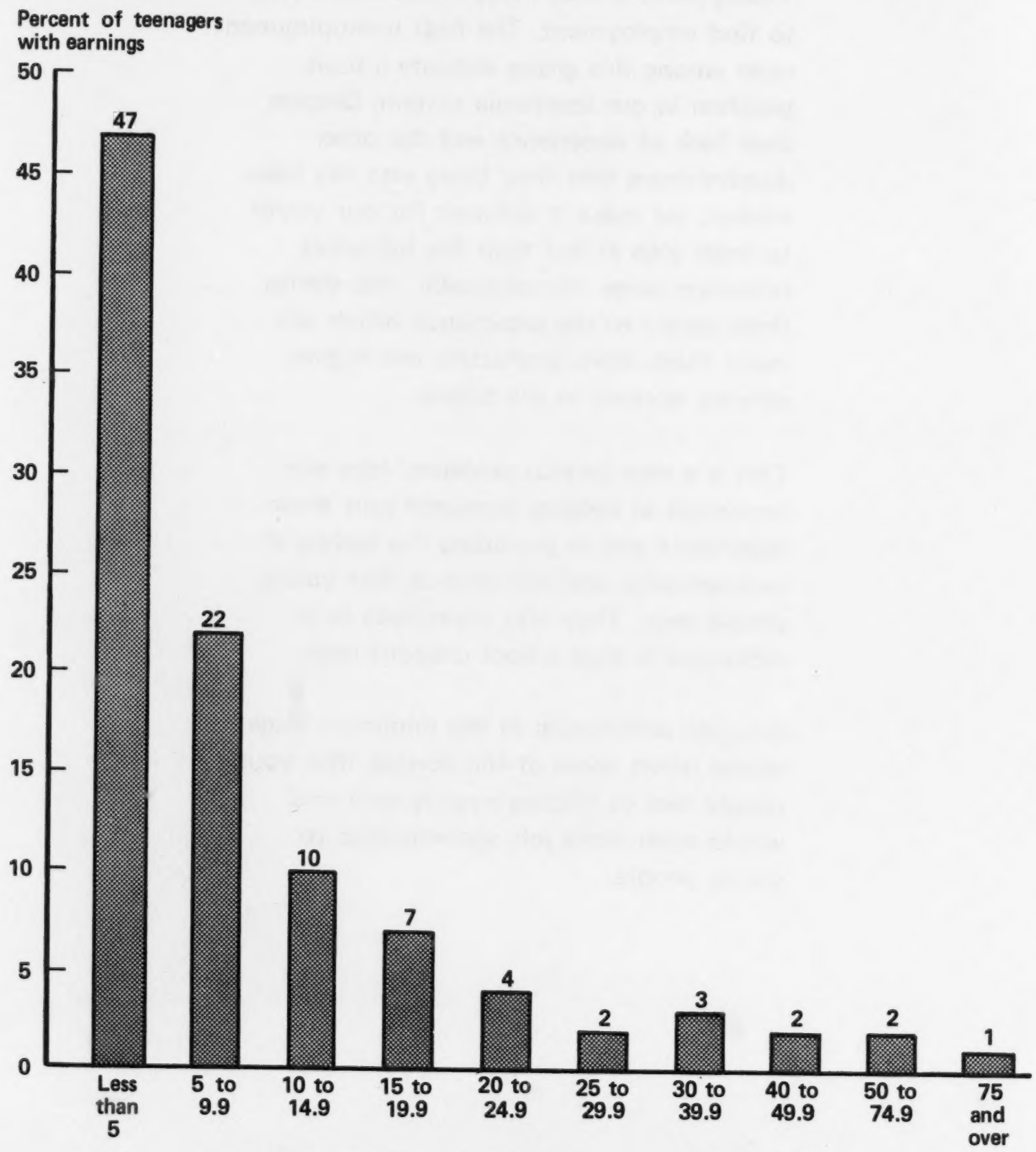
VI. EFFECTS OF A YOUTH DIFFERENTIAL ON FAMILY INCOME

One of the major reasons for raising minimum wages is to raise the standard of living of low-income families. A lower-minimum wage for young people would not make a significant change in family income.

Most young people do not make substantial contributions to the family--7 out of 10 working teenagers add less than 10 percent to family income. (Chart VIII) Therefore modest variations in their wage rates are not critical to family support but are important in opening up job opportunities for them.

Chart VIII

Teenage Earnings Normally Constitute a Small Part of Family Income



Percent of family income contributed by teenagers (16 to 19).

XVII. A DIFFERENTIAL WILL HELP OUR YOUTH

Young persons face many hurdles in trying to find employment. The high unemployment rates among this group indicate a basic problem in our economic system. Despite their lack of experience and the other disadvantages that they bring into the labor market, we make it difficult for our youth to enter jobs at less than the full adult minimum wage. Paradoxically, this denies them access to the experience which can make them more productive and higher-earning workers in the future.

This is a very serious problem. Jobs are important in helping teenagers gain work-experience and in providing the feeling of independence and self-reliance that young people seek. They also contribute to a reduction in high school dropout rates.

A youth differential in the minimum wage would offset some of the hurdles that young people face in finding employment and would open more job opportunities to young people.

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